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REPORT OF THE CHIEF OF THE BUREAU OF AGRICULTURAL ECONOMICS, FISCAL YEARS 1943-44

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF AGRICULTURAL ECONOMICS,
Washington, D. C., October 1, 1944.

HON. CLAUDE R. WICKARD,
Secretary of Agriculture.

DEAR MR. SECRETARY: I present herewith the report of the Bureau of Agricultural Economics for the 2 years ended June 30, 1944. In the first part, this report reviews the activities of the Bureau; in the second part, it summarizes the present state of the Nation's agricultural economy and the problems of reconverting the agricultural economy to a peacetime basis.

Sincerely yours,

HOWARD R. TOLLEY, *Chief.*

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PART I. THE BUREAU'S WORK

This Nation's agricultural economy is in the midst of far-reaching transformations. During the war, American agriculture has been one of the principal establishments in the arsenal of democracy. In the years just ahead, it faces readjustments to peacetime outlets for its products, peacetime technological progress, and peacetime relocation of veterans and civilians.

The Bureau of Agricultural Economics during the 2 years covered in this report has studied the problems with which agriculture has been confronted in adjusting its economy to war and with which it will be confronted in adjusting itself back to peace. Agriculture's fundamental problem in war was to produce enough, at the right time, of the specific commodities most needed. It had to achieve this job with the available supply of manpower and materials reduced by requirements of the armed forces and war industries.

With the approach of peace, new problems are arising—support prices, farms or aids for veterans and disposal of surplus military lands, rising land values, and air transportation of farm products, to cite a few. And old problems are returning—such as land tenure, technological displacements, and inability of large numbers of people to buy the goods they need at prices profitable to producers. These topics, which are all part of the broad problem of attaining security, equal opportunity, and freedom from want for farm and nonfarm peoples alike, are discussed in considerable detail further on in this report, on the basis of the findings of specific studies made by the Bureau or in which it participated.

The regular research work of the Bureau and the mass of agricultural statistics that it has assembled through the years in its routine activities made these studies possible. And this research and these statistics provide the background for almost all the studies, analyses, and statistical statements regarding American agriculture made by those outside the Bureau.

STATISTICAL SERIES

The Bureau regularly collects or computes statistics on the planted and harvested acreage, condition, yield, production, stocks, and disposition of crops; on the numbers of farm animals and the production and movement of livestock and livestock products; on the prices farmers receive for their products and the value of commodities produced, value of commodities consumed on the farm, and receipts from commodities marketed; on livestock-feed price ratios; on the prices farmers pay for the commodities they buy, their mortgage indebtedness and interest charges, and the taxes they pay per acre; and on parity and comparable prices.

The Bureau regularly estimates or calculates, too, farm personal-property taxes and automotive taxes; the rental value of farm dwellings, Government payments to farmers, gross farm income, expenses of farm operators, net farm income, changes in inventory, and the income-parity ratio between farmers and nonfarmers; the number of family workers and hired workers employed on farms and the wages received by hired workers; the total farm population; the cost at retail of a fixed quantity of food, marketing charges, Government payments to marketing agencies, and the farmer's share of the consumer's food dollar; farm-land values and transfers, and farm real estate rentals; the distribution of farm mortgages by lenders; food supplies and civilian consumption; and demand deposits in country banks. It issues an average of two detailed statistical reports each day.

The Bureau regularly analyzes and forecasts demand, supply, and price relationships for most major commodities; studies farm organization and the need for agricultural adjustments, the welfare of rural people, discussion groups as a medium for carrying the results of economic research to farmers, farmers' attitudes, the marketing and transportation of farm products, agricultural credit, and forces affecting the utilization of land and water resources; and endeavors to see that its statistics and the results of its researches are available and easily understood.

The regular program of work of the Bureau is so fundamental to the various special services and expanded duties of the Bureau and of the

Department of Agriculture that complete explanation of these activities is appropriate. Because of the wide use made of the Bureau's basic statistics by most other agencies, however, it is assumed that the work of the fact-finding units is so widely understood that it is not necessary to use the space to give further details of their activities. The regular activities of this Bureau were carried on, and in many instances expanded, with little or no increase in personnel to take care of the increased demands for special services.

SPECIAL SERVICES

In addition to these regular, continuing lines of work, the Bureau has been called upon continuously for special services and special research during the war. It has supplied a great variety of analyses and information to the War Food Administration, the Army, the Navy, the Foreign Economic Administration, Office of Price Administration, Office of Economic Stabilization, War Production Board, War Manpower Commission, and to virtually every other war or nonwar agency in Washington. It has been called upon frequently to furnish data or make special computations for Senators and Representatives, and has supplied much of the material used by the Secretary of Agriculture and the War Food Administrator in analyzing bills referred to them by congressional committees.

The Bureau was called upon for numerous determinations of parity and other prices or for assistance in determining a number of comparable prices and numerous sets of differentials for use in connection with ceilings and support prices; for estimates as to whether proposed ceilings on agricultural commodities cleared the legal minimums for such ceilings; and assisted the War Food Administration and the Office of Price Administration in estimating the increases in cash costs of producing agricultural commodities, beginning January 1941.

One of the Bureau's important activities during the last 2 years has been the supplying of a great deal of technical data to representatives of the United Nations—for example, to those who attended the Conference on Food and Agriculture at Hot Springs, Va., and to the United Nations Relief and Rehabilitation Administration.

The Bureau has prepared many special analyses on request—some of them only for administrative use. It helped, for example, in drafting a report on International Buffer Stocks, prepared a statement on World Needs for Fiber and Tobacco, analyzed the effect of various items of proposed legislation relating to agricultural prices and income and the economic stabilization program, and prepared reports on coffee subsidies and on agricultural subsidies in the United Kingdom.

Among the varied subjects examined were food production in Hawaii and Puerto Rico, international sugar agreements, post-war adjustments in the agriculture of central and eastern Europe, and the economic position of oils and fats during and after the war.

During the past 2 years, the Department of Agriculture's war records project was formally transferred to this Bureau, which had already been collecting, preserving, and organizing war records. Its reports on agriculture in the last war have served as a useful guide to administrative action in this war.

Problems related to crop insurance for citrus fruits, tobacco, tung orchards, and peanuts have been analyzed by the Bureau during the

last 2 years, as well as problems regarding life insurance for farmers, casualty insurance, farm and home accidents, farm fire losses, and fire protection.

The Bureau has studied the cost to taxpayers of the major types of Federal aid to agriculture, the financing of rural public works, and the impact of war upon the financial structure of agriculture. It has reported on proposed legislation relating to farm-mortgage credit, and farmer income-tax returns; and has estimated the amount of farmer-owned war bonds and farmer-owned currency.

The Bureau did a large portion of the work in preparing special text books on agriculture for the Armed Forces Institute; and it has aided in the training of agricultural economists from Central and South America.

An analysis of protein feed deficiencies and the recovery of feed from distillers' and brewers' grains made by the Bureau was of material assistance in stimulating the recovery of feed from grains used to produce industrial alcohol.

The Bureau has sampled and analyzed the attitudes of farmers toward a wide range of war-important topics. Among them were farm labor problems, dairy production, nutrition and food shortages, rationing and price controls, new machinery, and land inflation. Consumer acceptance of dehydrated foods was also studied.

FOOD PRODUCTION STUDIES

The Bureau assumed primary responsibility for making the first analysis of wartime needs for farm machinery and participated in the development of the first machinery rationing and allocation plans. It made similar but less intensive analyses of fertilizer, rubber, and fencing materials. It has taken the leadership, while cooperating with State experiment stations and with other agencies, in making forward estimates each year of the capacity to produce individual farm products in each of the 48 States. These studies served as background for the building of production goals. Problems involved in the rapid expansion of such war-important crops as peanuts, flax, hemp, and dried beans received special attention. Probable increases in labor requirements that would accompany potential increases in wartime production were estimated, and data were developed by areas and commodities to further the efficient utilization of the reduced farm-labor supply. Separate estimates were made of the potential contribution of small farms to wartime production and of the possibilities for increasing food and fiber production in the Western States through irrigation.

An analysis of the relative efficiency with which farm resources were used in the production of all the principal food products provided basic information for a large number of production decisions in the war food programs.

MARKETING RESEARCH

Suggesting the range of the Bureau's work in marketing and transportation are published reports dealing with freight rates, barge rates, truck transportation of farm products, requirements and supply of refrigerator cars, food wastes and spoilage in marketing, frozen foods, terminal produce markets, agricultural requirements for petroleum products, interstate trade barriers, disposition of agricultural sur-

pluses, and marketing margins and costs. Work on research projects, in cooperation with State agricultural experiment stations, continued, including a study of livestock transportation in cooperation with the 14 Corn Belt agricultural experiment stations, and work with the New England Research Council on wartime milk-marketing problems in the New England States.

A beginning was made during the 2-year period in the analysis of post-war marketing problems. For example, planning for the liquidation or reconversion of dehydration plants, built to meet war needs, depends partly upon prospective civilian demand for dehydrated foods, which was the subject of a special study completed during the period. Work has been under way on the economic phases of frozen foods, which promise to effect a virtual revolution in post-war marketing of agricultural perishables, and on the potential uses of surplus air-transport equipment and personnel in hauling and in providing new markets for farm products.

LAND USE ACTIVITIES

The Bureau assisted the Army in connection with the wartime leasing of land for agricultural purposes on areas acquired for military use. In some instances, it helped the Army to select lands that were suitable for the specific military use required of them but which were less productive, agriculturally, than other sites that had been under consideration. In cooperation with the War and Navy Departments, each of the lands in rural sites was classified as to its use before the war and as to its suitability for that particular use. On the basis of this classification, a determination was made as to the amount of such lands that will be suitable for agricultural use when released from war uses. Considerable work was done on developing suggested policies and procedures for the disposal of lands when they become surplus to needs of the War and Navy Departments.

Wet lands in the United States comprise millions of acres, but not all of them are economically adapted to development and improvement through drainage. To gage the quantity and location of these lands, the Bureau, in cooperation with the Soil Conservation Service, is preparing estimates covering areas susceptible to community drainage, land in need of farm drainage, and land for which drainage is not economically feasible.

The Bureau has regularly carried on studies of local land-market activity in approximately 130 selected counties, obtaining detailed information on: The number of voluntary transfers; acreage transferred; classes of sellers and apparent reasons for selling; classes of buyers and apparent reasons for buying; resales; consideration; and types and terms of financing, including types and sources of credit. It has worked closely with an intradepartmental committee in formulating the Department's policy on land-market control and in formulating possible control measures.

WORK THROUGHOUT THE COUNTRY

A substantial share of the fact-collecting and fact-analyzing work of this Bureau is carried on through its regional offices, through the offices of the agricultural statisticians who are cooperatively employed

by the Bureau and the State Governments in many States, and through an office at Chicago and two cooperatively sponsored regional statistical laboratories.

These offices gather and make partial tabulations of data which are further combined, in Washington, into national summaries. However, a few studies, of such nature that they primarily affect only one or two regions, are carried through to completion within the regional offices. Several studies of this type made during the past biennium are of national interest.

In the Western States, special attention has been given to agricultural wage rates, trends in land values, problems of potential irrigation development, wartime adjustments in cut-over areas in Washington, and the impacts of war upon farm people.

The Bureau has been analyzing the general economic, social, and cultural forces that would tend to promote or hinder agricultural development in the Mississippi Delta; and it has studied rural health programs in Mississippi, Arkansas, Texas, and New Mexico.

In 1942 and 1943, rumors of wholesale liquidation of dairy herds and widespread abandonment of farms, owing to inability to get labor, circulated throughout the United States and especially in the principal dairy areas. The Bureau investigated and found that these rumors were untrue—as was later borne out by the steady increase in the number of milk cows on farms. The increased number of farm auctions proved to be an orderly device for new farm operators to take over from those who were retiring because of age or who were entering other occupations.

The Appalachian States have about one-sixth of the Nation's farms and farm population but produce only one-twelfth of the national income received from farm products sold or traded. This poses the problem of how best to raise the level of living of their farm people. Either an increase in the productivity of the farms or a decrease in the farm population or a combination of these two alternatives would produce the desired results.

In the Appalachian States, the major problem is so to develop and use agricultural and other resources that all the able-bodied workers among the 14 million people in these States may be fully and effectively employed. Since the physical resources of agriculture in the region seem inadequate to support the nearly 6 million farm people, the Bureau has stressed the importance of further developing the nonagricultural resources of the Nation so that the surplus farm population may find employment in the towns and cities. A report released in June 1943 indicated that some 450,000 surplus workers remained on farms in the region at that time, even after some 800,000 farm people had already left for industrial jobs or had entered the armed forces.

In the Northeastern States, the Bureau has devoted a great deal of attention to the problems of improving forage production and to other means of avoiding or alleviating feed shortages and of adjusting farm operations to avoid liquidation of dairy cattle. This information helped to overcome the fear psychology that developed as feed, labor, and supplies became tight.

The Blue Mountain area of eastern Oregon and Washington produces about 20 percent of the canning peas of the United States, but the industry is so new that byproducts have not been fully utilized.

Pea-vine hay is equivalent to alfalfa hay in feeding value, yet only about 30 percent of the vines were used for livestock feeding in 1942, and the equivalent of more than 40,000 tons of good hay was wasted, at a time when dairymen in other parts of those States were short of hay. After studying the situation, the Bureau made recommendations to agricultural war boards in the area, which helped to reduce the waste of a badly needed feed.

A study in the North Central States showed that if lime were applied on the soils that need it, the increase in production would be equal to the present output of 16 million acres of cropland and 12 million acres of pasture. A similar calculation on the use of fertilizer applied in quantities recommended by agricultural experiment stations showed that production in the region could be increased by the equivalent of 12 million acres of cropland and 3 million acres of pasture. Another study showed that if 20 percent of the farmers would each grow an additional 10 acres of alfalfa, 3 million acres now in less-productive hay crops could be released for other uses without reducing the total hay production.

Dry beans were among the more critical food crops; and, with their production limited climatically to the Great Plains area, it was necessary to determine the difficulties encountered in wartime production on both irrigated and dry lands. It was found that most dry-land expansion of beans was uneconomical. Suggestions were made for overcoming difficulties encountered within and along the fringes of the established bean-growing areas.

Irrigation Analyses

An important activity of the Bureau has been its studies of irrigation in the Great Plains and the Western States. The economic security and prosperity of farmers, and even of townspeople, in vast areas of the western half of the United States is dependent on the maintenance of sound irrigation policies and practices.

The Bureau has studied the potentially irrigable lands and the settlement opportunities they would furnish in 10 of the Plains and Intermountain States, to discover which lands could be brought under irrigation during the war, which immediately after the war, and which at some later time.

A study of the possibilities of combining irrigated resources with native grass revealed that wherever feed crops and gardens grown on irrigated lands can be combined with adjacent native grasslands used for summer pasture, or even with adjacent wheatland, farm operations are less disturbed by variable climate.

A study of the upper Yellowstone reclamation project showed that 15 percent of the available cropland within existing irrigated farms was not in use. The reasons were: Inadequate leveling of land, improper arrangement of ditches, and insufficient drainage facilities. The Agricultural Adjustment Agency later instituted practice payments for irrigated land.

The Bureau furnished farm-management data to be used in laying out irrigated farms in accordance with the slope of the field in such a way as to eliminate waste odds and ends of fields which are cut off from the main part of the farm by roads and ditches. This land-and-labor-saving pattern is being applied on the Buffalo Rapids project.

At the request of the United States Engineer Corps, the Bureau worked with the Corps, the Soil Conservation Service, and other agencies on a study to determine the amount of irrigation water that could be used with full irrigation development in the Sacramento Valley and the value of the water to the farmers. It was estimated that under cropping patterns designed to provide the highest long-time economic use of land and water, 6.6 million acre-feet of irrigation water would be needed, measured at the farmers' head gates; that direct farm benefits would be 11.8 million dollars annually; and that indirect benefits to business enterprises and property owners would be 2.9 million dollars annually.

The Bureau prepared a major part of the report dealing with indirect benefits from the Central Valley project. Experience in California and elsewhere in obtaining payments toward the cost of water use and control projects from indirect beneficiaries indicates that it is practicable for a water use or control district to obtain such payments by assessment of the land of indirect beneficiaries within the district.

Full development of the Columbia Basin reclamation project would bring a million acres into agricultural production after the war. The Bureau participated in the Columbia Basin joint investigations to learn what crops can best be produced, what size of farm and type of farm is needed to produce a "minimum adequate income," and what will be needed for a farm in equipment, livestock, and capital investment.

A similar analysis was made of possibilities in development of the Yuma Mesa reclamation project in Arizona. The climate on the Yuma Mesa is one of the hottest, driest, and sunniest of the United States. Soils are sandy and porous and will require large quantities of water for all crops and phosphate fertilizers for most crops. Preliminary analysis indicates that a 160-acre alfalfa farm is about the minimum size for providing full-time employment for a farmer with a tractor.

TECHNIQUES IN SAMPLING

Much of the information now collected by this Bureau and by other agencies of the Department of Agriculture is obtained through sampling. Sampling is the process of obtaining information about acreages, prices, etc., from a small number of farmers so selected as to represent all farmers or the whole statistical "universe." The families or farms from which information is obtained must present an accurate cross section of the total for which information is desired, if the sample is to provide a reliable guide to action.

Increasing needs for reliable information on agriculture have made it necessary to collect additional data and to do so in ways that are economical, accurate, and rapid. As a result, the Bureau of Agricultural Economics helped to devise a uniform and integrated system for making the sampling surveys needed by the Department, based on a sample of farms, which is, in effect, a small replica of all farms in the United States. This has been called the Master Sample, and it promises in time to obtain a great deal more statistical information than is now obtained, accurately, and at relatively little cost.

When completed, the Master Sample will provide three Nation-wide samples of farms. Each sample will include approximately 100,000 farms and will represent every agricultural county. The 3 samples are so selected that they can be combined into a sample of 300,000 farms or used independently; that is, estimates for the 5,500,000 to 6,000,000

American farms can be made on the basis of information obtained from 1 of the 3 subgroups, or from the combined groups whenever a larger sample is desirable.

The Master Sample will have a wide range of utility in surveys that have only regional or localized application as well as in those of national import.

The Bureau of the Census is cooperating with the Bureau of Agricultural Economics in developing the Master Sample. When the Census of Agriculture is taken in 1945, the Master Sample will be used by the Bureau of the Census: (1) To identify farms for which certain supplemental information is to be obtained and (2) to provide a representative sample for which quick tabulations can be obtained in order to make available preliminary results of the Census of Agriculture many months before the results of the complete count will be finished. By using a sample to obtain supplemental information, it is possible to get more information through the Census of Agriculture than would be the case if it were necessary to ask every question of every farmer.

Although the work of selecting Master Sample areas has not been entirely completed, the utility of the sample has already been demonstrated in a number of surveys made by the Bureau and one made cooperatively by the Bureau of Agricultural Economics and the Bureau of the Census. Materials have been made available for surveys by a State college and requests for similar materials are at hand from two others. The Bureau intends to make the Master Sample readily available to other agencies.

INTERBUREAU COMMITTEE ON POST-WAR PROGRAMS

The Interbureau Committee on Post-war Programs has aided several communities in making rural-urban studies looking toward adequate post-war employment within those communities. Other private and public organizations and agencies, such as State agricultural colleges, State planning boards, State industrial boards, Federal Reserve banks, Departments of Commerce and Labor, the Committee for Economic Development, the United States Chamber of Commerce, farm and labor organizations, and railroads, have cooperated with the Department of Agriculture in providing technical assistance and guidance for these studies.

The Bureau has participated along with representatives of practically all of the agencies of the Department and the War Food Administration in the work of the Interbureau Committee. By order of the Secretary of Agriculture, the Bureau established this committee in 1941 and has been active through this committee and nine related regional committees in supplying leadership in work on post-war problems.

PART II. AGRICULTURE TODAY

SUMMARY STATEMENT

Production of food has been increased remarkably during the war and could have been increased even more if this had been necessary. The increase was largely the result of technological progress that led to increased production per worker. That progress is continuing, smaller farm population. The volume of food that farmers can

and after the war we shall be able to produce even more food with a market profitably will be much greater if we have full industrial employment than if we have partial employment. It will be still greater if we make good progress toward attaining the objectives of the proposed United Nations Food and Agriculture Organization. "... raising levels of nutrition and standards of living of the peoples under their respective jurisdictions, securing improvements in the efficiency of the production and distribution of all food and agricultural products, bettering the condition of rural populations, and thus contributing toward an expanding world economy."

In the United States, full employment will help to raise the levels of nutrition and the standards of living. The increased production efficiency which is making it possible to expand production steadily in this country can be duplicated, at least in part, in other lands. But some countries cannot hope to become self-sufficient in food production, and they offer a potential market for farm products from the United States if we are prepared to take other products or services in exchange.

Before we can better the condition of our own rural people, we must first preserve the gains they have already made. These are illustrated by the general improvement, during the war, in the financial structure of agriculture. Some of these gains, however, are more apparent than real because of the increased prices of products and land. A boom in land values comparable with that of the last war may be in the making. We need to take measures to curb it. Success or lack of success in curbing a land boom may affect the post-war trend of land tenure more than any other single factor.

The tenure situation in many areas still presents serious problems, although during the war we have apparently made at least temporary progress in improving it. Our general policy toward land settlement after the war, which should keep in mind the fact that progressively fewer people on the land are able to produce progressively more goods, will affect not only the future of land tenure but also the welfare of all farm people. The Government can further strengthen basic policies in regard to land use adjustments, land values, and land tenure by the application of desirable features in the program developed for the disposal of surplus military land. The effect on trends and basic adjustments in the communities where this land is located will be particularly pronounced. Surplus military equipment also can be disposed of in a way that will strengthen the position of the family farm and contribute to the welfare of rural areas.

Closely bound up with the welfare of farm people—and indirectly affecting the welfare of urban people—is the question of improving the parity standard. But parity prices alone are not enough for the 50 percent of our farmers who produce only 10 percent of the products marketed. They and many farm laborers are deeply interested, also, in parity of available services and in extension of social security programs to cover farm people. Moreover, parity for agriculture with other industries implies a parity of responsibility to provide adequate wages and working conditions for its hired workers.

To sum up, the eternal goals of democracies—freedom, equality, and security—will be in a special sense the post-war goals of farm and non-farm people in the United States. Producers and consumers alike will want freedom of production and marketing with a minimum of

restriction and free adoption of still more efficient methods of production and distribution. Farmers will continue to press for equality, not only of prices (or wages) and income but also of services and levels of living. And they will want security of tenure, markets, and income—or of employment and wages in the case of hired labor—and inclusion in the broad program of social security.

OUR FOOD POTENTIAL

Production of food and fiber in 1944 was one-third greater than in 1935–39, one-half greater than in 1917–18, and three-fifths greater than in 1910–14.

This is a remarkable increase. But in the latter part of 1942 and early 1943 it seemed that by 1944 or 1945 production might be inadequate, especially if the war should last much longer. Therefore the Bureau of Agricultural Economics, in cooperation with some of the other agencies of the Department of Agriculture and the 48 State land-grant colleges, made a careful appraisal of the Nation's wartime capacity to produce food.

From this study the Bureau concluded that within 2 years the United States could increase its effective food supply nearly one-third above the 1943 level, if war needs required so great an increase. That much, moreover, could be accomplished without reducing the quantity of livestock products in our domestic civilian diet below the pre-war level. Within a decade, with more of our manpower and resources devoted to agricultural production and with more drastic changes in our habits of production and consumption, we could produce food for more than double the number supplied in 1943 if the war were to continue and if food needs were to become progressively greater. This would, of course, require drastic shifts in production and consuming habits which could be obtained only under an extreme situation.

Any program, moderate or extreme, to maximize the food supply would involve shifts in production and consumption that would make more efficient use of land, labor, feed, machinery, and materials; and it would include improved practices, land development, waste prevention, and better utilization of foodstuffs.

The economic problems of food management in wartime differ sharply from the economic problems of agriculture in peacetime. In peacetime full employment and high wages in industry tend both to pull surplus workers from the farms and to increase the demand for luxury foods. Farmers substitute machinery for missing workers and shift their efforts to increase the production of the foods most in demand. Increased sales of high-priced products and increased production per man help farmers to share in the prosperity and tend to prevent a too rapid migration from the farms. But in wartime, expansion in agricultural production must be achieved with the greatest possible conservation of men and materials, for they must be shared with war industries and the armed forces. And the price rises needed to secure increased production must be limited to the foods and other products that are most needed, for we cannot rob our war industries and armed forces of essential men and materials merely to satisfy wartime demands for luxuries.

Price relationships among farm products that compete with one another for land, labor, and materials constitute the keystone in any wartime program to obtain maximum output of the agricultural prod-

ucts that are most needed. The pattern of production and the degree to which productive resources are efficiently employed depend heavily upon those price relationships. Milk is a good illustration. It is one of the most efficient foods and one whose production has lagged farthest behind the needs. World War I demonstrated that under a let-alone system without price floors or ceilings, prices of milk will rise much less rapidly than prices of many other products that compete with it for production resources; therefore, milk production will decrease rather than increase. Whenever the total production resources available to agriculture are limited, the milk-feed price ratio must not only be favorable—it must be more favorable than the hog-corn, beef-corn, and poultry-feed ratios if increased milk production is desirable and dairymen are to get the feed and labor they need.

Similarly, the price relationships between cotton, peanuts, and sweet-potatoes are important, because these crops compete for resources, and an expanded production of one crop may limit or even reduce the production of the others. Competition also occurs between corn and soybeans, wheat and flaxseed, and potatoes and sugar beets, among others.

Fortunately, some of the shifts in production that were made during the war are also desirable goals for the peacetime economy. The South reduced the acreage of cotton. At the same time, it greatly increased the acreage of peanuts and sweetpotatoes and the output of livestock products sorely needed to improve the nutrition of great numbers of people. Growing industrialization of the Lake States offers the prospect of a local outlet for much of the increased output of milk and milk products in that area. The future of the oil crops, the production of which was so greatly expanded after Far Eastern sources were cut off, is still uncertain, but it may be that we can continue some of the acreage increases after the war for such crops supply not only oil but also high-protein livestock feed. Wheat, too, may be regarded more and more as a livestock feed—particularly in the areas where it will produce more feed value per acre than any other crop. But whether or not we shall have an increased outlet for these crops in livestock feed will depend heavily upon the post-war level of employment and wages. Unquestionably many Americans need more livestock products to improve their diets, and unquestionably they will buy more of these foods if they can afford them.

WORLD FOOD OBJECTIVES

The best long hope of farmers for an expanding market and an adequate income lies in the avowed goal of all the United Nations to work toward freedom from want for "all the men in all the lands."

It is significant that the first conference held jointly by the United Nations laid the framework for their proposed Food and Agriculture Organization. When the representatives of 44 Nations met at Hot Springs, Va., early in 1943, they declared that "This Conference, meeting in the midst of the greatest war ever waged, * * * declares its belief that the goal of freedom from want of food, suitable and adequate for the health and strength of all peoples, can be achieved."

The preamble of the constitution of the proposed Food and Agriculture Organization declares: "The Nations accepting this constitution, being determined to promote the common welfare by furthering separate and collective action on their part for the purposes of raising levels

of nutrition and standards of living of the peoples under their respective jurisdictions, securing improvements in the efficiency of the production and distribution of all food and agricultural products, bettering the condition of rural populations, and thus contributing toward an expanding world economy, hereby establish the Food and Agriculture Organization of the United Nations * * *."

Each nation has the primary responsibility for seeing that its own people attain the purposes set forth in that preamble. Full employment in the United States will go far toward accomplishing all those objectives; but even with full employment, we shall need supplementary measures to avoid some "overproduction" and "underconsumption." Among the measures offering the greatest promise are direct assistance to undernourished groups within the United States and expansion of the export market for farm products.

There is only one way, aside from gifts or temporary credits, in which we can increase our total exports, and that is to increase our total imports of goods, services, or both. In the long run, goods and services exported can be paid for only by goods or services imported; and a prolonged "favorable" or "unfavorable" balance of trade is physically impossible unless it means that one nation, directly, or indirectly, donates goods and services to another nation.

The Mixed Committee on Nutrition of the League of Nations reported in 1937: "In the U. S. A. and western Europe much malnutrition exists among the lower income groups. Available data suggests a figure between 20 percent and 30 percent of the entire population * * * Some 75 percent of the 1,150 million inhabitants in Asia have a diet far below the standard for health."

It is to be expected that the countries where severe malnutrition exists, in pursuing the objectives agreed upon by the governments participating in the Food and Agriculture Organization, will endeavor to increase their domestic production of farm products. And greater efficiency doubtless will be the principal tool in attaining increased production. Nevertheless, some densely populated areas of the world cannot hope soon to produce, even with the greatest efficiency, enough food for adequate nutrition of their own peoples. Such areas can attain adequate nutrition only through freedom to produce a surplus of other goods or services and to exchange the product of their labor for agricultural exports from other areas that are capable of producing more farm products than they can profitably consume.

In short, the farmer has a stake, not only in full employment and adequate nutrition within the United States but also in the ability of other countries to increase the buying power of their peoples and in a progressive freeing of world trade.

THE FARMER'S STAKE IN FULL EMPLOYMENT

The degree to which farmers can have both unrestricted production and prosperity after the war depends on how close we can come to full employment.

Past relationships between national income, employment, farm prices, and foreign trade provide the most trustworthy statistical guide for post-war policy. From these relationships, the Bureau of Agricultural Economics has outlined what agriculture may be like if the Nation maintains full employment after its transition from war to peace.

Assuming that 1950 will be a representative post-war year, we can expect a population of around 144 million people, who will require 55½ million jobs for full employment. Assuming, further, that around 15 percent (slightly less than at present) of these jobs will be in agriculture and 85 percent in nonagricultural occupations, and that the general price level will be about the same as it was in 1943, these workers would produce a national income of about 150 billion dollars—slightly more than in 1943.

Farm prices would not be so high, in relation to nonfarm prices, in peacetime as they have been during the war. On the basis of past peacetime relationships and without any governmental programs to support farm prices, it was estimated that with full employment and a national income of 150 billion dollars, prices received by farmers would be about 165 percent of the 1910–14 level, in place of 192 percent in 1943; and that prices paid by farmers would be about 165 percent of 1910–1914, or 3 points higher than in 1943. In other words, farm products would sell at parity as compared with 19 percent above parity in 1943. Farmers' cash receipts from marketings would amount to about 17 billion dollars, compared with more than 19 billion dollars in 1943.

These general estimates are based on specific estimates of imports, exports, and domestic consumption. Between the two world wars, agricultural imports were about 50 percent of all imports and changes in imports closely followed changes in national income. After the war, imports of nonagricultural raw materials probably will be relatively more important; therefore, by 1950 agricultural imports may amount to only 40 percent of total imports. On this basis, annual imports of agricultural products by 1950 might be about 2 billion dollars, compared with 2.2 billion in 1925–29 and 1.2 billion in 1935–39. Noncompetitive commodities, such as rubber, coffee, and bananas, would bulk large in such imports.

Agricultural exports dropped from 37 percent of total exports in 1925–29 to 25 percent of a much smaller total volume of exports in 1935–39. If this trend is resumed after the war, agricultural exports by 1950 may be only 20 percent of the total. But if total exports under full employment should amount to 6 billion dollars, as they well might, agricultural exports might be about 1¼ billion—two-thirds more than the 1935–39 average and nearly two-thirds as much as in 1925–29.

Full employment in 1950, however, would affect the farmer most by increasing the domestic demand for agricultural products. Per capita consumption would be much higher than it was in 1935–39 or even in 1941.

The difference between the estimated post-war cash receipts from marketings, around 17 billion dollars, and the cash returns of 19 billion dollars in 1943 would seem to indicate that the required post-war agricultural adjustments will not be very great. On the contrary, increasing efficiency in producing agricultural commodities, and changing demand for individual agricultural commodities, probably will require some severe adjustments in the field of agriculture as a whole. If average crop yields by 1950 should increase by 10 to 12 percent, and if livestock-feeding efficiency should increase by 2½ percent, total production requirements under full employment could be met by the

harvest of only 325 million acres of land used for crops, compared with 351 million in 1943. Thus, even under full employment, it will be necessary to make adjustments equivalent to taking 26 million acres out of crops or to find additional outlets for the production on these acres.

Large numbers of people would still be inadequately fed if we had full employment and a national income of 150 billion dollars. A Government program under which the diets of people earning less than \$1,500 were improved, could absorb the product of some 8 million acres, reducing the so-called surplus to 18 million acres.

If the farm outlook under full employment is less favorable than the situation in 1943, what would it be if per capita income were at about the 1941 level? Under such conditions the general price level might fall to the 1941 level and the national income to 105 billion dollars—45 billion less than under full employment, with civilian employment about 50½ million and unemployment about 7 million. Farm prices would be only about 90 percent of parity, instead of almost at full parity; but cash receipts from marketings would be only 2½ billion dollars—only a little more than two-thirds the sum estimated under full employment. Domestic consumption would fall about 5 percent, creating a “surplus” of 42 million acres instead of 26 million even if there were no corresponding decrease in foreign trade.

But in the event of a severe depression, with some 17 million workers unemployed, national income might well decline to 57½ billion dollars, agricultural prices to about 62 percent of parity, cash receipts to about 6½ billion dollars.

If these estimates are anywhere near correct, they suggest the great stake that farmers have in full employment.

MORE EFFICIENT FARMING

The best proof that farmers in the United States did their wartime job well is the fact that although one-fourth of the food they produced in 1943 and 1944 went to the armed forces and lend-lease, our civilians were better nourished than before the war. And farmers attained this prodigious output with the fewest workers in more than three decades.

Production *per farm worker* in 1944 was twice as great as in 1910, three-fourths more than in 1917–18, and one-third more than in 1939. Moreover, an unusually large share of the farm-labor force in 1944 consisted of the very old and the very young, of women, and of inexperienced workers from towns and cities.

Favorable weather is correctly credited with some of this wartime increase in crop production. But recent studies of weather in relation to crop yields indicate that with average weather we can expect crop yields per acre to average as much as 20 percent higher than they did in the decade (1923–32) just before the drought. If this is borne out over a longer period of time, it indicates a remarkable increase brought about by technological progress. More efficient food production contributes in turn to the increased output of livestock and livestock products per acre and per man-hour employed.

One of the most striking increases—in corn yields—is due largely to the spreading use of hybrids. The increment in yield due to the use of hybrid varieties is estimated at about 20 percent over open-

pollinated varieties under identical conditions. In 1933, only 0.1 percent of the total corn acreage was planted to hybrids. In 1944 hybrids were grown on 57 percent of the acreage and almost all of this was concentrated on the fertile, high-yielding lands of the Midwest. The national average yield of corn that could be expected under ideal growing conditions remained nearly constant from 1900 to 1930; but since 1937 it has increased nearly a bushel per acre each year, principally because of the increased percentage in hybrids.

Cotton yields per acre have averaged one-half higher in recent years than they did in the decade before the drought. The increase has been greatest, even percentagewise, in the areas in which the best land and ample moisture are to be found—especially in the Mississippi Delta and in the western irrigated and eastern hilly areas. In part, the gain in yield has been the result of the use of the best land for the smaller acreage of cotton—the acreage in cultivation was only half as great on July 1, 1944, as in 1923–32. But other factors are also important. More fertilizer is used per acre, and a greater proportion of the acreage is fertilized. More winter cover crops are used. Cotton varieties have been improved. Boll weevils and other insects reduced yields only a little more than half as much in 1943 as in 1923–32.

Rising prices since 1939 have accelerated the general wartime rise in crop yields per acre. They have made it profitable to use more fertilizer and better seed, to take better care of crops, and to harvest them more fully.

Better breeding stock, control of disease, and improved feeding methods have all played a part in increasing livestock production, per worker, since 1910. One of the most notable increases has been in the average number of eggs laid per hen—a gain of one-third between 1909 and 1943.

Mechanization of farms is responsible for much of the steady rise in efficiency of farm labor. In spite of the small amount of many types of new machinery made available in 1943 and 1944, the number of milking machines on farms January 1, 1945, probably will be nearly 50 percent greater than the number on January 1, 1942. During the same period the number of combine harvesters on farms will have increased 22 percent and the number of corn pickers, 30 percent.

Farm output per acre and per worker can be increased tremendously after the war, if more widespread use is made of known techniques. Estimates for the Corn Belt, Lake States, and Northeastern States indicate that use of more fertilizer and lime would increase the average yields per acre of grains, hay, and pasture by from 5 to 20 percent. Improved rotations, contour tillage, and strip cropping also will increase yields.

There is every reason to believe that the acreage of corn hybrids will continue to increase as agronomists breed hybrids adapted to new areas. And they may succeed in breeding still better hybrids than those now predominant in the Corn Belt.

Soybean varieties now becoming available promise increases in yield comparable with those that resulted from corn hybrids. New disease-resistant varieties of wheat are expected to outyield older varieties by 5 to 10 percent in areas to which they are adapted. Rust- and smut-resistant oats in the Corn Belt will yield 15 to 25 percent more than the older varieties.

Roughage production can be increased 25 to 30 percent through replacement of lower-yielding varieties of hay and pasture by alfalfa, lespedeza, kudzu, Ladino clover, and improved grasses.

Use of tractor and motor power has, since 1920, released more than 60 million acres of crop and pasture land from feed production for work stock into production of commodities for sale. If the trend away from horses and mules continues until 1950, another 8 to 10 million acres will be made available for commercial production. Such a shift would mean that there would be approximately 460,000 additional tractors on farms in 1950, each one capable of saving about 800 hours of man labor per year if it is used with the proper equipment for tillage and harvesting. New machines that may be widely used within a few years include the mechanical cotton picker, the improved cotton stripper, the rice combine, the flame cultivator, the hay drier, and the manure loader. Mechanical power in its earlier stages was best adapted to large farms, and the large farms gained in efficiency much faster than the small ones. Now machines are being developed for small farms as well, and these farms may be expected to make more rapid strides toward increased output per worker.

The output of farm products for sale, after the war, can be increased in four ways: (1) By expanding the area of cultivated land through irrigation, drainage, and clearing; (2) by shifting to more intensive crops and livestock; (3) by increasing crop yields and output per head of livestock by use of improved practices; and (4) by shifting to mechanical power.

Whether or not production will be further expanded after the war will depend largely upon the extent of domestic and foreign outlets for farm products. If efficiency of production is further increased, the savings may be reflected in increased income to farmers or in lower prices to consumers, or both. It is possible, of course, for increased efficiency to stimulate production so much that prices will be driven down to a point at which farmers receive less income from the larger volume of goods than they previously did from the smaller volume.

Increased efficiency in agricultural production will mean that less labor and effort will be required to produce farm products and that more labor and time will be available for the production of other worth-while goods and services and for increased leisure. Ways must be found to keep market channels open for the volume of farm products that are needed in a balanced national economy and to make other employment opportunities available for workers who are no longer needed in agriculture. There is no valid excuse for the United States to drift again into a situation in which farmers are unable to buy the industrial goods and services they want because they cannot market their so-called surpluses, while at the same time urban workers go hungry because they are not employed to make the products the farmer wants, and therefore cannot buy his surpluses.

MORE EFFICIENT MARKETING

Further gains in the efficiency of agricultural production and marketing will be possible after the war, and they will afford one of the best means for improving the general welfare of farm and nonfarm people. Price is the meeting place of supply and demand. If production and marketing can be made more efficient, and their costs

decreased, then producers can produce more, marketing agencies can sell more, and consumers can buy more, at the same price as before. Or, conversely, producers and marketers can receive a larger profit for the same volume of goods as before; and with greater profits they themselves can buy more goods and services. We have discussed the potentiality of further technological progress in production but up to this point have said little about the outlook for post-war improvements in marketing.

AIR TRANSPORTATION

Air transportation is potentially an efficient method of getting farm products to market and a way of opening up new markets for post-war surpluses of perishable agricultural commodities. The war has accelerated the use of the airplane as a freight carrier. When the war ends, many planes, facilities, and pilots no longer needed for military purposes will be available for the freighting of civilian goods.

The continued development of air-freight transportation will make it possible for producers to ship products to many markets which with present facilities are not accessible. This will be particularly true for producers in the subtropical areas of Florida, Texas, and California.

Air transportation will permit shipment of sun-ripened farm products of much higher quality, instead of those of varying degrees of ripeness as now dictated by the length of time required for land transport. The development of air freight will make possible the retailing of perishables in eastern markets 24 hours after harvest, as contrasted with rail-freight movement requiring 11 days or more to reach the eastern seaboard from California.

The quantity of agricultural products that will be potential air cargo depends upon both the absolute and the relative costs of air transportation and the consumer acceptance of the products at prices reflecting these costs. The Bureau's research in air transportation has been directed toward obtaining answers to these two basic questions.

The first phase of the project was completed in the fiscal year 1943-44. This investigation determined the transportation charges, the time required, and the probable demand for the shipment by air of strawberries and tomatoes from Florida to Detroit. Results indicated that a very substantial portion of the strawberries now sold during the winter and spring may move by air. They also indicated that practically all the quantity of tomatoes now moving to northeastern cities, or even substantially more than this quantity, could be carried by air.

The second study indicated that lettuce from California could be flown to the Detroit market after the war at a cost approximately $3\frac{1}{4}$ cents per pound above that of the rail-transported product. Air-borne Iceberg lettuce from California can be marketed in quantity at a differential of 5 cents a head over surface-transported lettuce. Lettuce flown to this market was sold in commercial channels in relatively large volume at a price differential sufficient to cover the extra cost of air transport, indicating a considerable potential volume of such traffic. Although lettuce has as low a density per cubic foot as any major perishable agricultural product except flowers, the weight limit of the C-54A plane was reached before the limit of the stowage capacity.

The favorable ton-mile costs were achieved by the hypothetical use of a contract-carrier service. In the second study this contract-carrier service consisted of a fleet of eight Douglas C-54A cargo planes that operated at a total cost of 58.25 cents per plane-mile, including a 10-percent margin for the operating company. A plane's initial cost does not greatly influence its ton-mile cost of operation.

These studies suggest that the organization of air-cargo companies along the lines of contract carriers rather than the conventional common carriers makes possible considerably lower rates. They also suggest the importance of pay loads close to the plane's capacity on the return trip as well as on the initial trip.

Economies in marketing—through the use of lighter containers, elimination of some handling costs at both shipping and receiving ends, and the elimination of icing in transit—will offset much of the higher air-freight cost compared with costs of land transport.

Several perishables in addition to those included in these investigations apparently would lend themselves equally well or better to air transportation than to present channels of transportation; and many of the deciduous fruits, such as cherries, apricots, and fresh prunes, would arrive on the market in better condition if transported by plane. In general, any fruit or vegetable that will reach the terminal market in better condition when transported by air than when hauled by rail should be considered for air transportation.

Potential competition from air transportation probably will lead to improvement of the service to agricultural producers rendered by surface carriers and thus benefit agriculture indirectly as well as directly. Much additional work must be done before large quantities of perishables can move to market in plane-load lots. Additional commodities must be studied, especially from the standpoint of the quantity of airborne produce that can be sold at a premium price. The effect of altitude and proper method of refrigeration in transit must be determined. These subjects will be explored in future Bureau research.

MARKETING COSTS AND MARGINS

The shortage of data on marketing margins and costs was a handicap in the effective handling of many wartime food-management problems, including price ceilings and supports, subsidies, and the facilitation of wartime shifts in marketing methods and channels. Actions had to be based upon little more than guesses about the facts involved, and this led to many revisions of policies and programs which otherwise could have been avoided.

The need for better information on marketing margins and costs will not cease with the coming of peace. Administration of programs to effectuate commodity price supports and other post-war programs will require extensive information on marketing margins and costs. It will be necessary, for example, to find out the allowances to be made to different types of dealers in buying commodities to keep local market prices at the support levels. In deciding such questions as the desirability of liquidating or continuing the regulations limiting the number of deliveries of milk, information will be needed on the actual and potential savings arising from such economy measures. If consumer buying power declines after the war and Government support of prices of raw materials is in operation at the producer level, the public

will be more conscious than ever of the intervening marketing charges and will question how they might be reduced.

The Bureau is now bringing together a vast amount of uncorrelated information that is scattered through hundreds of miscellaneous reports, partially completed tabulations in the files of war agencies, and compilations that have been available only for administrative use.

The farmer's share of the consumer's food dollar in 1943 was the highest since World War I. It reached a high of 54 cents in March 1944 and then declined slightly in April, May, and June. In 1935-39 the farmer's share averaged only 40 cents. These estimates make full allowance for the values of byproducts obtained in processing farm food produce, and they allow for waste and spoilage in marketing; but they do not take account of the fact that processors have received additional marketing payments from the Government. In March 1944 these were equivalent to nearly 3 cents for each food dollar spent by the consumer during the first half of 1944.

In 1943 the average retail cost of farm food products was 35 percent higher than the 1935-39 average, whereas payments to farmers had risen 73 percent and total marketing charges (adjusted for Government marketing payments and taxes) had risen 12 percent.

Through 1943 and early 1944, the retail cost to consumers of fixed quantities of foods representing 1935-39 average annual consumption required record low percentages of the average consumer's income, amounting to 15 percent in late 1943 and early 1944. Actual expenditures for foods, however, amounted to 20 percent of income and almost one-third of total consumer expenditures for all goods and services. The 1935-39 average was 23 percent of income both for food expenditures and for retail cost of the fixed quantities of foods.

Prospects that in the post-war years cotton and other natural fibers produced on farms in this country will encounter severe competition from synthetic fibers and from natural fibers produced in other countries, emphasize the desirability of closely examining marketing and manufacturing costs and margins for natural fibers produced in the United States with a view to achieving the utmost economies in the processing and distributing functions followed in marketing these fibers as a means of strengthening their competitive positions.

The Bureau estimates that less than 10 cents of the consumer's dollar paid in 1939 for apparel and household goods made of cotton or wool went to farmers for the raw fibers, less than 3 cents went to merchandisers of the raw fibers, about 49 cents to processors and manufacturers, and more than 39 cents to wholesalers and retailers of the textile products. A further break-down of the various conversion and service costs indicated that about 47 cents out of the consumer's dollar went to pay salaries and wages, about 8.5 cents went for profits, and about 4 cents went to advertisers.

These data on margins and costs, along with supplementary information, suggest several possibilities for bringing about considerable economies. For example, by increasing the volume of ginning per unit of equipment, by using better equipment more efficiently, and by other economies, net costs of ginning and baling cotton might be reduced in many instances by 25 percent or more; and margins for retailing textile goods might be reduced 10 percent in many instances through the use of self-service or simplified service arrangements.

These data on distribution of the consumer's dollar paid for textile goods afford a basis for weighing the relative importance of potential economies in the various steps of processing and marketing cotton. A reduction of 10 percent in retail margins in 1939, for example, would have amounted to as much as the total margins for merchandising the raw fibers, including margins for ginning and baling the cotton; and a 10-percent reduction in retail margins would have been 15 times as great, in actual money, as a reduction of 25 percent in the margins for ginning and baling.

This discussion of air transportation and of marketing margins suggests a broad field of post-war improvement in the distribution¹ of food and agricultural products that, with continued progress in efficiency of production, can better the condition of our urban and rural people. But before we can better the condition of our rural people, we must first preserve the gains they have already made. These gains are illustrated by the general improvement, during the war, of the financial structure of agriculture.

IMPACT OF WAR UPON THE FARM BUSINESS

World War I and World War II affected the financial structure of agriculture similarly in many respects; but there are striking differences.

As a whole, debts of those engaged in agriculture are declining during the present war, whereas in the First World War they rose sharply. In the last 4 years, farmers' reserves of cash or its equivalent have increased to the largest figure in our history. Likewise, inventory values of crops and livestock have expanded rapidly and are now generally larger than they were 25 years ago. In this war we have had especially favorable weather and a longer upswing in the livestock cycle, and these have helped to swell the non-real-estate inventories.

Agriculture in the United States, as measured by the dollar value of its real and intangible property, grew from a 54-billion-dollar industry in 1940 to an 83-billion-dollar industry in 1944. During this 4-year period, the equities of all farm-land owners and of tenant farmers increased about 30 billion dollars, while the holdings of mortgagees and other lenders to agriculture were reduced half a billion or more.

On the whole, the financial position of agriculture has strengthened during the war, although some farmers, of course, have not done well. But there is a joker in these figures. The gain in farm assets has been the result chiefly of a rise in prices; the farm plant meanwhile has increased physically only to a limited extent—moderately in livestock numbers, slightly in crop inventory, and virtually none in land, buildings, and machinery.

Thus, of the 29.1-billion-dollar net increase in total assets, only about 8 billion was due to an increase in cash, bank deposits, war bonds, and other quick assets; and 1.4 billion to the increase in physical working capital. Higher prices (of tangible farm assets) account for the other 19.7 billion dollars increase in valuation of assets.

Real estate is by far the farmers' most valuable single asset. The total value of farm land and buildings rose from 33.6 billion dollars

¹ Another phase, touched on briefly in the sections on "The Farmer's Stake in Full Employment" and "World Food Objectives," is direct assistance to undernourished groups, one form of which might be direct distribution of so-called surplus farm products.

in 1940 to an estimated 45.6 billion in 1944. The amount of land in farms has remained virtually unchanged. This 36-percent rise in farm real estate value during the 4 years that began in March 1940 was the same percentage rise that occurred in the 4 years after March 1915, but values started this time from a level 18 percent lower than in 1915.

Farm physical assets other than real estate were valued at roughly 24 billion dollars as of January 1, 1944, an increase of nearly 9.1 billion dollars or 61 percent, in 4 years. Livestock on farms accounted for 9.5 billion dollars of the 24 billion, crops stored on farms were valued at 5.6 billion, and machinery on farms amounted to 4.2 billion. The remainder consisted principally of household equipment.

The largest item among intangible assets, January 1, 1944, was 9.7 billion dollars of bank deposits and currency owned by farm operators—almost double the amount held 2 years earlier. Among the other important intangible assets were listed about one-half billion dollars of warehouse receipts, 2.4 billions of war bonds, and financial interest in cooperatives valued at two-thirds of a billion dollars.

Farm-mortgage debt is the largest liability item. The mortgage situation is far better than it was during the First World War. In the 4 years ended January 1, 1919, the total farm-mortgage debt *increased* more than 2,000 million dollars; in the 4 years ended January 1, 1944, it *decreased* more than 950 million. At the beginning of 1919, outstanding farm-mortgage debt totaled 7,137 million dollars; at the beginning of 1944 it was only 5,635 million.

Data are inadequate for precise estimates of other types of debt, but the total is probably close to 3 billion dollars or, roughly, half as much as the outstanding real estate debt.

This over-all balance sheet indicates that the wartime changes wrought so far in the farm business are fairly reassuring. Agriculture reflects much the same expansive influences as it did during the other war, but there is no such indication—at least so far—of the large use of borrowed money this time. On the contrary, farmers have been using their increased incomes to finance increased production, to pay their debts, and to put their business in a generally stronger condition.

Possibilities of trouble are certainly present, however, in the current situation. Rising prices for certain farm products have induced expanded production, accompanied in some cases by new indebtedness that might be hard to pay off if prices were to fall suddenly. A major part of the increased value of agricultural assets consists of a mark-up of inventories at higher prices. Any large body of debt built up again as it was in the other wartime land boom might be disastrous if prices should suddenly decline.

WARTIME LAND MARKET

Farm-land values are surging upward about as rapidly as during World War I, although they started this time from a lower pre-war level. The present farm real estate market cannot be called a boom market as yet, but the germs of a boom undoubtedly are present. The danger that temporarily high farm incomes again will be overcapitalized is increasing. Sharply rising values have been accompanied by a record volume of sales, the resale of many farms after brief ownership, a large number of cash purchases, and heavy indebtedness on many others sold on credit.

In 1935-39, farm-land values were only 83 percent as high as in 1912-14. But average values by July 1, 1944, had increased 42 percent from the recent pre-war base, a striking similarity to the increase of 40 percent in the other war, up to 1919. Average values at the peak of the boom early in 1920 were 70 percent above the pre-war average.

The rise of 15 percent in the value of farm land during the 12 months ended July 1, 1944, was almost three-fourths of the advance in the 1919-20 boom year and was higher than for any other year on record. Most of the rise during the last year took place in the 4 months preceding March 1, and the average monthly rate for this period exceeded the average monthly rate for 1919-20.

Fifty-three of every thousand farms were sold during the year ended in March 1944. This was 9 percent above the 1919 record and almost double the 1935-39 average. Sales reached the highest rate in the Pacific and West North Central States.

Farmers bought about two-thirds of the farms sold during 1943, a slightly larger percentage than in 1941 and 1942 but about the same as in 1939 and 1940. Purchases by farmers are still divided about evenly between tenants and owners who are buying new farms or additional land.

In the year ended in March 1944, both active and retired farmers made a somewhat larger share of the total sales, estates made a slightly smaller share of the sales, and credit agencies a much smaller share than during the previous year. Owner-operators, apparently, are selling more land than they are buying; but tenants are buying enough to make a substantial net increase in the number of owner-operators. As a group, active farmers are buying somewhat more than 50 percent more land than they are selling.

Of the farmer-sellers during 1943, nearly two-thirds expected to continue farming, one-fourth to retire, one-tenth to enter other civilian occupations, and 1 percent to enter the armed forces. Undoubtedly some of the farmer sellers will operate reduced holdings, others will operate rented land, but a large percentage apparently are buying other farms.

The volume of farm resales to realize a profit after a limited period of ownership is increasing in most of the principal farming areas. During the past year, roughly one-half of all sales were for cash—a slight increase over the 2 preceding years. Although the mortgage debt remaining after down payment is now a smaller percentage of the purchase price, it is larger in actual number of dollars because of the increase in prices. As a result, the average debt per acre in credit-financed transfers has increased almost one-fourth since 1941. Furthermore, because of the increased number of farm-land sales, mortgages were placed on more newly transferred farms during last year than during any other year since 1920.

The predominant forces that have stimulated the real estate market are high farm-commodity prices, record farm-income levels, and growing accumulations of funds available to buy land.

Neither increased taxes nor purchases of War bonds have prevented a steady accumulation of purchasing power, much of which is in the highly liquid form of demand deposits and currency. Demand deposits of country banks in 20 leading agricultural States increased 38 percent during 1943 and 9 percent during the first half of 1944; and in June 1944 they were 235 percent higher than in 1939. Land invest-

ments brought an average return of 10 percent in 1943, the highest of record and materially above most alternative investments.

Land prices, in the absence of controls, may advance further and in many areas reach levels as inflated as those in the land boom following World War I. For example, in the Pacific States land values on July 1, 1944, were already slightly above the 1920 peak and were 48 percent above the 1935-39 average. In the East South Central States land values on July 1, 1944, were 60 percent above the pre-war average; and on that date land values in the East South Central States and the New England States had reached 1919 levels, although they were still below the 1920 peak.

The serious consequences of the 1919-20 land boom were largely the result of the fact that many buyers paid too high a price for land and went too heavily into debt as a result. Because of credit difficulties alone, the equivalent of one-fourth to one-third of all land in farms went through forced sale, between the two wars. Many farmers had to accept lower levels of living, exploit their land, and allow improvements to deteriorate in order to retain title to their farms. Every effort should be made to prevent a repetition of this experience.

Many farmers are acutely aware of the dangers of overborrowing; and many creditors are likewise aware of the dangers of overlending for the purchase of land at inflated prices, as a result of their experience following the 1919-20 land boom. However, land values continue to advance steadily, evidences of speculative activity are increasing, and larger debts are being incurred for the financing of farm transfers.

Various possible measures for meeting this problem have been considered seriously. A heavy tax on the profits from the resale of farms recently acquired has been suggested, to curb speculation in farm land. This tax would not interfere with the purchase of farms for operation or investment but would virtually eliminate the purchases for speculation by taxing away most of the profits. This would discourage frequent sales at advancing prices, such as were characteristic of the 1919-20 land boom.

A resale-gains tax eliminating speculation in farm lands, and credit controls preventing excessive loans should be adequate to prevent a repetition of the widespread distress that grew out of the 1919-20 land boom, without resort to stronger measures. Success or lack of it in curbing a land boom may affect the post-war trend of land tenure more than any other single factor.

TRENDS IN LAND TENURE

At the end of the war it will be difficult but not impossible to hold and extend recent gains in the tenure status of farm people.

Since 1940, the total number of farms seems to have declined around 10 percent—and to have declined most in areas where farms are too small. Consolidation of uneconomic units and abandonment of some submarginal lands have been trends in the right direction. More and more farms are operated by full owners and part owners. Tenancy as a whole has declined, although apparently more cotton farms than formerly are operated by sharecroppers.

Nonetheless, flaws in the tenure situation are still apparent beneath the surface. Many farmers have attained ownership under unsound, short-term mortgage agreements and burdensome purchase contracts

that are likely to cause trouble after the war. The number of farms larger than 500 acres represented only 4.3 percent of all farms in 1940, but these comparatively large units included 25 percent of the cropland harvested. The farms operated by part owners and tenants are being enlarged more rapidly than those operated by full owners.

Inflated land values will spell disaster to many a hard-working tenant who accumulated enough savings to make a small down payment on a farm. If many veterans and war workers return to agriculture, the added competition for farms will drive rental rates for many farms above their earning capacities, as was the case following the last war. The goal of farm ownership will be more difficult to attain, many tenants will lose their farms, and some will find it impossible to relocate on acceptable units.

Other tenants will be operating farms on which buildings and improvements were depleted seriously during the war. Leasing arrangements on many farms do not provide tenants with a reasonable opportunity to rebuild war-depleted resources. If many landlords do not consider it financially feasible to make these improvements, underutilization of resources is inevitable.

Some war workers and servicemen who left submarginal farms have kept a "toehold" on the places they left. If there is unemployment after the war, many of these people will doubtless return to their farms. This is not a potential problem in all areas, but in some areas it is likely to be the chief tenure difficulty to arise immediately after the war. Reoccupancy of these farms would have a deleterious effect upon levels of living, health and sanitation, land conservation, land use, and adjustments in production.

The owner-operated, family-type farm has long been the goal of American agriculture. Action to improve land tenure after the war—or even to keep it from sliding backward—must be accompanied by a program for swift reconversion of industry and full industrial employment. Several direct measures can be helpful. For example, homestead tax exemptions already have been adopted in about one-third of the States, to give preference to family farms. In addition, taxes on land might be graduated steeply, on the basis of size of holdings, to give added preference to family-size units.

Special tenant-purchase credit is necessary to help qualified farmers to break free of tenancy and become owners. Loans should be limited, however, to the earning capacity of the farms for which they are made, and they should be accompanied, where necessary, by technical guidance. Mortgages should be at a low interest rate, amortized over a period of years, with provisions for increasing the repayment schedule when prices or production are good and for decreasing the schedule when prices or production are unfavorable.

Special programs may be needed to prevent rent disturbances similar to those that grew out of excessive rental rates after World War I. The Bureau of Agricultural Economics is prepared to make available to landlords and tenants information concerning equitable rental rates and cash rent terms that vary with prices and production. Adjustments in rental terms that will stabilize tenant occupancy should be made as soon as possible after the war.

Intensification, development, and consolidation of farm units in submarginal areas was tried on a small scale before the war, and the

results were promising. Plowing of nonagricultural land should be discouraged through public purchase and readjustment in land use. This will mean fewer farmers in many areas; some of these farmers can go to good farm land that is now owned by the Government and to land developed through irrigation and drainage. Attempts to cultivate submarginal land can be further discouraged through the wider utilization of rural zoning ordinances.

LAND-SETTLEMENT PROBLEMS

Land-settlement policies of the United States during the reconversion from war to peace will affect the welfare of rural people for a full generation.

Enough people have remained on farms to produce all the food and fiber we are likely to need for many years after the war, even though the farm population is now the smallest in more than three decades. Rural well-being may best be served with still fewer people on farms, if technological progress in agriculture is rapid, or if unemployment or barriers to foreign trade should shrink the demand for farm products.

On the other hand, many circumstances will tend to swell the farm population after the war. For example, since 1940 about 11½ million persons have gone from farms into the armed forces and about 31½ to 51½ million into cities or other nonfarm areas. If there had been no war, some of these people would have moved with the current that flows steadily from rural areas of relatively high birth rate to cities of lower birth rate; but many men now in the armed forces or in temporary war work will prefer to farm after the war. And a number of families still living on farms will require more or better land if they are to earn a decent living.

The Bureau of Agricultural Economics has received many letters during the last year from war veterans who seek guidance concerning farming as a vocation. Veterans, especially, should receive a grateful Nation's help in getting established on the land whenever, as individuals, they want such help and are reasonably well qualified to become successful farmers. Yet, it would be a disservice to veterans to encourage wholesale land settlement without regard for their individual qualifications or the total outlet for farm products. Moreover, experience after the First World War demonstrated the undesirability of encouraging families of veterans to settle together in community groups, in poorly adapted areas, or on farms inadequate in size and productiveness.

Above all, agriculture should not become a dumping ground to cloak unemployment. In 1930-33, when normal migration from farms was slackened and refugees from the depression crowded back to the land, the farm population increased by 2 million. Full industrial employment is essential after this war if farmers are to escape from the depression vise that clamps down on agricultural markets with one jaw and on a surplus farm population with the other.

About 220,000 elderly farm operators may be expected gradually to turn their farms over to younger men at the end of the war. But inasmuch as about half of these farms produced less than \$600 worth of commodities before the war, they would provide opportunities for con-

siderably fewer than 220,000 new operators to employ their labor profitably and to have satisfactory living conditions. Clearing, draining, or irrigating of land in existing farms, within the next few years, could provide jobs and fair incomes for 100,000 or more additional farm operators. Of 30 to 40 million acres not in farms which is believed suitable for drainage, clearing, or irrigation, about one-third is in areas where development work is planned, authorized, or under construction. This would be enough to provide about 125,000 farms of 80 to 100 acres. Of the lands acquired for military use that will be resold after the war, enough are suited to private farming to make up perhaps another 8,000 to 10,000 family-sized farms.

Land settlement on even so modest a scale would require serious study to make it conform with the general objective of agriculture, which is to provide plentiful supplies of agricultural products for consumers and to provide levels of living for producers that are comparable with those afforded by other occupations requiring similar skills.

The Bureau of Agricultural Economics recommended that an advisory and information service be provided for veterans and others who want to farm. That recommendation has already been adopted, and most agricultural counties now have agricultural committees who provide such service. This Bureau's suggestion that Federal-type loan services be expanded is partly covered by the Servicemen's Readjustment Act of 1944, which provides partial guaranty of loans to veterans to buy or improve farms and makes them eligible for home ownership loans from the Farm Security Administration. The Bureau recommended that surplus military land be sold in family-sized units and that military land unsuitable for private ownership be returned to conservation uses.

Two further steps are particularly important to sound land settlement:

1. Action should be taken to prevent land values from reaching inflated levels that cannot be sustained after the war and that will saddle new farmers with a greater debt than they can hope to pay.

2. The mapping of lands to show their productivity, their present use and management, and their proper use and management should be continued on a greater scale in order to provide essential information to farmers and to the general public.

MILITARY LANDS²

Since 1940, national defense and war agencies have acquired 21 million acres for military use and for industrial plants. Most of the 14 million acres obtained from Federal agencies is not suitable for agriculture or is already in grazing and forestry districts, and it will remain in Federal ownership. The basic problem, therefore, is the disposal of 7 million acres acquired from individuals.

Some of the lands acquired from private owners will be retained for permanent military and naval establishments. Other lands are occupied by industrial plants; and the manner of their disposal is of

² Several of the basic policies recommended by the Interbureau Committee on Military Land and Equipment were specifically incorporated into the Surplus Property Act of 1944, which was enacted by Congress after the period covered in this report.

only indirect interest to agriculture, although a few rural-urban communities may want to convert war plants into rural industries to supplement agricultural employment. About 3.5 million acres is poor land that should remain in public ownership as forest, park, or grazing land, or in some similar conservation use. That leaves available 3.5 million acres that promise good returns under efficient private management. This land should be sold in units of the right size for a farm family to make a living.

The Bureau of Agricultural Economics and the Committee on Military Land and Equipment recommended that the disposal of farm land be handled separately from the disposal of surplus factory and military equipment and that large blocks of land should not be sold with factory buildings.

They also recommended that a simplified method of title transfer be worked out and that full use be made of the technical assistance available within the Department of Agriculture, in classifying and selling military land.

MILITARY EQUIPMENT

The manner of disposal of nearly 100 billion dollars' worth of military equipment and supplies that will be available after the war is of concern to farmers, because it holds considerable possibility for improving their welfare.

This equipment includes many industrial plants which can be converted to produce materials required by farmers. For instance, even during the war a part of the output from a dozen anhydrous ammonia plants has been used in the manufacture of nitrogen fertilizers. Agriculture should devote especial attention to studying the uses that can be made of 42 hemp plants that soon will become surplus. Farmers should have an opportunity to buy many of the temporary buildings for use in the repair and construction of farm buildings.

Much of the equipment can be disposed of in a way that will afford sorely needed improvements in rural welfare. For example, the Army and Navy have mobile fire-fighting equipment and huge stocks of medical supplies and equipment that could provide fire protection and health facilities in rural areas that are now without them. Federal and State or local agencies can make good use of such machines as trucks, bulldozers, and ditchers in carrying out agricultural conservation or in providing rural works when needed. Much of the equipment is suitable for accelerating rural electrification, for equipping county agricultural buildings, and for setting up machine shops in schools.

A large quantity of equipment can be used by individual farmers to improve their farms and their homes if it is made readily available to them at reasonable prices. Tractors, trucks, wire for fences and baling, tools, lumber, rope, batteries, and other electrical supplies, plumbing and heating equipment, are only a few of the items.

The Bureau of Agricultural Economics recommended that the disposal of surplus equipment be so administered as to make the greatest contribution to the welfare of rural areas and suggested that surplus consumer goods be disposed of through cooperative organizations wherever feasible.

IMPROVING THE PARITY STANDARD

A problem closely bound up with the welfare of farm people, and indirectly related to the condition of the urban population as well, is the parity standard for prices and incomes.

Parity prices are now the goal for the agricultural price program. Some question is being raised, however, as to whether parity prices are an appropriate general objective. Perhaps even more frequently the question is raised as to whether the parity prices for specific commodities are in reasonable relationship to each other. Both the general goal and the relationship by commodities are based in the main (for the principal commodities) on the historical relationships that existed in 1910-14. Perpetuation of those relationships would be justified only if we continued to consume the same relative quantities of the different commodities at home, to export the same relative quantities, and to make uniform increases in the efficiency with which we produced and marketed each commodity. Obviously, we have not had such a frozen agricultural economy and are not likely to have it. Some of the factors that are at work have been discussed and the great increase in yields per acre of such crops as corn and cotton has been described.

The cost of producing grains has been greatly reduced, relative to the cost of producing livestock products, since 1910-14. If the prices of all separate commodities were exactly at parity, after the war, we would have a relative abundance of grains and a relative shortage of livestock products.

In 1910-14 we exported nearly two-thirds of our cotton crop. We lost most of that market before this war, and if cotton were at full parity after the war our price would be so far above the price of competing foreign growths that we not only could not export cotton without a subsidy or some kind of two-price program, but we could import it profitably unless imports were restricted. We would be faced with the alternatives of surpluses growing steadily from one year to the next, with disposing of those surpluses in some manner below parity, or with production controls to achieve a steadily decreasing acreage as yields per acre increased. New uses for cotton might alleviate the situation somewhat; but, on the other hand, full post-war parity for cotton might enable synthetic fibers to compete with it more successfully than ever before.

Many proposals have been advanced to improve, and even to replace, the parity standard. One is to use for all farm products a recent base period which will more nearly reflect current supply-and-demand relationships among the various commodities. Another is to realign the parity prices of the individual commodities from time to time while still maintaining the general farm-to-nonfarm price relationship that existed in 1910-14. A question arises as to whether wage rates for hired labor should be included after the war in computing parity prices and whether other goods or services should be added. Parity income has advocates who would substitute it entirely for parity price—letting prices of individual commodities seek their own natural level but making lump-sum payments where necessary to maintain parity income.

If the general price-support program, tied to a parity standard, is to be continued successfully after the war, certain conditions must be

met. Prices must be set at a level which will assure farmers reasonable incomes, which will induce them to produce more of the commodities for which there is the greatest need and less of the commodities that are relatively overabundant, and which will still permit consumers to buy food at a price they can afford. Large stocks of some nonperishable commodities can be maintained as an insurance against crop failure, or to some extent against the possibility of a sudden increase in demand, but even these stocks cannot be increased indefinitely.

The Bureau is at work on the many problems that are involved in any improvement of the parity standard. However, whatever revisions of parity are or are not adopted after the war, ways should be found to make sure that the administration of support prices tied to a parity standard does not force American commodities out of the foreign market or plunge this country into a trade war. And ways should be devised to assist families with low incomes to obtain adequate food and clothing.

Nor should we forget that around 50 percent of the Nation's 6 million farms produce only 10 percent of the value of farm products marketed and that the farmers who operate these farms may have less interest in parity of farm prices than in other types of equality. They, and a great many farm laborers as well, are especially concerned with opportunities to earn more at nonfarm employment and with getting parity of facilities for health, medical care, education, recreation, fire protection, and other services. The noncommercial farmers and farm laborers may be more interested also in the extension of social security programs to cover farm people.

SOCIAL SECURITY FOR FARMERS

Farm people can have the benefits of the present social security program and of an expanded program, if they want it. The ways already are worked out; but the issue of extending the benefits to farmers is one they themselves must settle.

Our present system of social security grew out of long experience in labor legislation. It is, therefore, tied to the industrial-wage system and supported primarily by a pay-roll tax. Many people think of it only as a security system for salaried and wage-earning employees. Most people who have talked about extending its benefits to farm people have thought only of hired men in agriculture.

The insurance features of the social security program are not applicable to farmers or to the self-employed in other occupations. Proposals are now being made to extend the program to the self-employed, including farmers, and to expand the benefits for medical and hospital care. The Social Security Board is required by the Social Security Law to study such problems continually. During the past year it has been working with a group in the United States Department of Agriculture giving careful consideration to methods whereby the program can be modified to include farmers if they want to be included.

Apparently the majority of farmers at present do not know specifically what the social security program is, and therefore they have no sentiment in favor of it or against it. The next step, therefore, is to furnish farm people with accurate information as to what the social security program is, what plans have been worked out to make it applicable to farm people, and what needs of farm people it could meet.

WAGES OF FARM LABOR

Hired farm laborers are generally one of the most disadvantaged groups in the United States. Public policy since 1910 has paid scant attention to their welfare.

Real wages of hired hands were at virtually a dead level from 1910 to 1930, averaging \$265 a year in terms of 1913 buying power—far less than enough to maintain health or decent living conditions. Real wage income per industrial worker, in contrast, climbed from \$600 in 1913 to \$739 in 1930. From 1930 to 1940, real farm wages slumped and recovered; while real wages of industrial workers continued to rise. During the war, real wages, per capita, of hired farm laborers have continued to lag behind those of industrial workers, although both have increased: In terms of 1913 dollars, real farm wages (adjusted for changes in the price of commodities used in farm-family living) went from \$322 in 1940 to \$361 in 1941, to \$400 in 1942, and to \$473 in 1943; and real industrial wages (adjusted for changes in the urban cost-of-living index) went from \$896 in 1940 to \$1,003 in 1941, to \$1,119 in 1942, and to \$1,222 in 1943.

Considerably more than half of the farmers of the United States carry on all their operations with family labor alone; and just before the war, more than 50 percent of the cash farm-wage bill was paid on less than 5 percent of the farms.

Hired laborers—averaging about 2½ million in the last 5 years—make up about one-fourth of the total farm working force. But they are so heavily concentrated on the larger or more productive farms that their work makes possible much more than one-fourth of the total farm production.

In 1940–43 about 14 percent fewer farm workers (including operators and unpaid family workers) produced 44 percent more food and fiber than in 1910–14. Except in the more recent years, the upward trend in productivity of farm workers was not matched by a corresponding increase in their real wages and incomes.

From 1910 to 1940 the annual farm-wage bill, which averaged slightly more than 1 billion dollars, including perquisites, was 9½ percent of gross farm income and nearly 18 percent of net farm income. In 1943 the wartime farm-wage bill was 1.9 billion dollars, the highest on record; but it was only 8½ percent of gross farm income and 14 percent of net income.

Farm wages tend to rise and fall with farm income; therefore, the first requisite for adequate wages for farm workers is an adequate income for farmers. The productivity of the labor also affects the level of the wage rates. One reason that farm wages are low in South Carolina as compared with California is because the value of the laborer's output is much higher in California. Farm workers in New England receive more than twice the pay of workers in the South Atlantic region, but the value of their production is also twice as high.

Regional differences in farm wages are not due entirely to differences in productivity. The supply of labor and industrial competition for workers are important influences. In April 1944 the earnings of workers in manufacturing industries averaged \$1.04 per hour; and farm workers paid by the day, without board, earned about 37 cents an hour. Despite the sharp wartime rise in farm-wage rates, the disparity between wages on farms and in urban industries generally con-

tinues to be large. During the early years of the war, farm wages rose so rapidly in some parts of the country as to necessitate the inauguration of wage stabilization in agriculture and the setting of wage ceilings for workers handling certain crops.

The only instance in agriculture of regulation of minimum wages is in the sugar-beet and cane industry, where minimum wages have been in effect since 1937. The Sugar Act provides that the receipt of benefit payments by producers of sugar crops be made conditional upon the payment to labor of "fair and reasonable wages."

After a careful study of farm-wage problems, the Bureau of Agricultural Economics recommends, among other things, exploration of the legislative field in behalf of adequate wage standards comparable with the standards set for industrial wages by the Fair Labor Standards Act of 1938 and to the standards set for agricultural wages in Great Britain by the Agricultural Wages (Regulation) Act. Parity for agriculture with other industries implies a parity of responsibility to provide adequate wages and working conditions for its hired workers.

AN EXPANDING ECONOMY

Freedom, equality, and security have been the goals of every democracy. They have been embodied in the greatest political documents from the Magna Charta to the declaration of the United Nations incorporating the principles of the Atlantic Charter. And in a special sense they will be the post-war goals of American agriculture. Producers and consumers alike will want freedom of production and marketing with a minimum of restriction, and freedom to adopt still more efficient methods of production and distribution. Farmers will continue to press for equality, not only of prices and income but also of services and of levels of living. And they will want security of tenure, of markets and income—or of employment and wages in the case of hired hands—and inclusion in the broad program of social security as well. Our people share those agricultural objectives with the people of all the United Nations.

Our economic system, which has amazed the world by turning out 100,000 planes in a single year and ships enough for a new navy after Pearl Harbor, and which has increased food production more than one-third in spite of dwindling numbers of laborers, has the undisputed capacity to create a level of living for all our citizens far above anything the world has yet known. Such a general, lasting prosperity can be created only if individual producers as well as the Government adopt policies that will maintain a high level of consumer purchasing power. The essential elements of such policies are full and continuing employment, encouragement of individual enterprise, and reasonable competition. Any other course, although it may mean greater short-run profits for individual producers, will lead to periods of business losses, depression, and social upheaval. In short, the greatest task ahead is to convince ourselves that it is profitable to be prosperous.



